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**TOWN OF LAKE ARTHUR, LOUISIANA**  
**ANNUAL FINANCIAL REPORT**  
**JULY 31, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-26-06

TOWN OF LAKE ARTHUR, LOUISIANA

ANNUAL FINANCIAL REPORT  
Year Ended July 31, 2005

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TOWN OF LAKE ARTHUR, LOUISIANA

July 31, 2005

**MAYOR**

The Honorable E. R. Giles

**BOARD OF ALDERMEN**

Ms. Dorothy Charles  
Mr. Kirk Conner  
Mr. Ellsworth Duhon

Mr. David Hanks  
Mrs. Cynthia LaPoint

**LEGAL COUNSEL**

Mr. Bennett LaPoint

**TOWN CLERK**

Mrs. Cynthia Mallett

# McELROY, QUIRK & BURCH

(In Affiliation with - Gus Schram & Co., LTD)

*A Professional Corporation • Certified Public Accountants • Since 1925*  
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070  
337 433-1063 • Fax 337 436-6618 • Web page: [www.mqb-cpa.com](http://www.mqb-cpa.com)

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Carl W. Comeaux, CPA  
Gus W. Schram, III, CPA, CVA  
Martin L. Chehotsky, CPA, CFE  
Robert M. Gani, CPA, MT  
Mollie C. Broussard, CPA  
Jason L. Guillory, CPA  
Greg P. Naquin, CPA, CFP™  
Billy D. Fisher, CPA  
Joe G. Peshoff, II, CPA, CVA



Charles P. Quirk, CPA, Inactive  
Otray J. Woods, Jr., CPA, Inactive  
Robert E. Cargile, CPA, Inactive  
William A. Mancuso, CPA, Retired  
Barbara Hutson Gonzales, CPA, Retired  
Judson J. McCann, Jr., CPA, Retired

CFE - Certified Fraud Examiner  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

## REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and Board of Aldermen  
Town of Lake Arthur  
Lake Arthur, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana as of and for the year ended July 31, 2005, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana as of July 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2005, on our consideration of the Town of Lake Arthur's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis, pages 7 through 15, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have adopted certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Arthur's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Lake Arthur. The combining nonmajor fund financial statement and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Burch*

Lake Charles, Louisiana  
September 21, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the Town of Lake Arthur, Louisiana's annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended July 31, 2005. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### **FINANCIAL HIGHLIGHTS**

- The Town's assets exceeded its liabilities by \$5,479,062 (net assets) for the fiscal year reported. Of this amount, \$1,359,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- Total expenditures of \$1,678,388 were exceeded by total revenues of \$2,323,455, which resulted in a current year surplus of \$645,067.
- The Town's governmental funds reported total ending fund balance of \$1,778,979 this year. This compares to the prior year ending fund balance of \$1,710,691 reflecting an increase of \$68,288 during the current year.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

### **USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

## **Reporting the Town as a Whole**

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's taxpayer base and the condition of the Town's roads to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental activities** - Most of the Town's basic services are reported here including police, fire, streets and highways, parks and recreation, economic development, and general administration. Sales and property taxes, franchise fees, and state and federal grants finance most of these activities.
- **Business-type activities** - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system is reported here.

## **Reporting the City's Most Significant Funds**

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two types of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds** - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services



it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

- Proprietary funds - When the Town charges customers for the services it provides, these services are generally reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

## THE TOWN AS A WHOLE

For the year ended July 31, 2005, net assets changed as follows:

### NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current & other assets	\$ 2,071,778	\$ 1,933,769	\$ 1,190,746	\$ 1,140,515	\$ 3,262,524	\$ 3,074,284
Capital assets	<u>1,611,294</u>	<u>1,141,925</u>	<u>3,526,384</u>	<u>3,727,766</u>	<u>5,137,678</u>	<u>4,869,691</u>
Total assets	<u>3,683,072</u>	<u>3,075,694</u>	<u>4,717,130</u>	<u>4,868,281</u>	<u>8,400,202</u>	<u>7,943,975</u>
Long-term debt outstanding	311,316	364,827	1,375,000	1,540,000	1,686,316	1,904,827
Other liabilities	<u>346,311</u>	<u>288,928</u>	<u>888,513</u>	<u>916,228</u>	<u>1,234,824</u>	<u>1,205,156</u>
Total liabilities	<u>657,627</u>	<u>653,755</u>	<u>2,263,513</u>	<u>2,456,228</u>	<u>2,921,140</u>	<u>3,109,983</u>
Net assets:						
Invested in capital assets	1,246,466	711,248	1,986,384	2,032,766	3,232,850	2,744,014
Restricted	887,212	855,089	-	-	887,212	855,089
Unrestricted	<u>891,767</u>	<u>855,602</u>	<u>467,233</u>	<u>379,287</u>	<u>1,359,000</u>	<u>1,234,889</u>
Total net assets	<u>\$ 3,025,445</u>	<u>\$ 2,421,939</u>	<u>\$ 2,453,617</u>	<u>\$ 2,412,053</u>	<u>\$ 5,479,062</u>	<u>\$ 4,833,992</u>

Net assets of the Town's governmental activities increased from last fiscal year end, July 31, 2004, to this year's fiscal year end, July 31, 2005, by \$603,506. This is mainly because of construction associated with the Town's community center that was in progress at the end of the year, the purchase of a police vehicle and police equipment, fire department equipment, and recreation department equipment.

For business-type activities the Town of Lake Arthur reported a decrease of \$151,151 in total assets due primarily to depreciation on capital assets. The Town also reported a decrease of \$192,715 in total liabilities as a result of current year debt retirements. This resulted in an increased amount of net assets of \$41,564.

The following table provides a summary of the Town's changes in net assets:

### CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Program revenues:						
Charges for services	\$ 318,075	\$ 326,442	\$ 370,977	\$ 366,614	\$ 689,052	\$ 693,056
Operating grants	106,536	128,934	-	-	106,536	128,934
Capital grants	428,209	-	-	-	428,209	-
General revenues:						
Property taxes	186,839	179,682	-	-	186,839	179,682
Other taxes	676,516	636,625	-	-	676,516	636,625
Other general revenues	<u>197,569</u>	<u>138,376</u>	<u>38,734</u>	<u>31,696</u>	<u>236,303</u>	<u>170,072</u>
Total revenues	<u>1,913,744</u>	<u>1,410,059</u>	<u>409,711</u>	<u>398,310</u>	<u>2,323,455</u>	<u>1,808,369</u>
Program expenses:						
General government	336,999	291,310	-	-	336,999	291,310
Public safety	430,677	573,145	-	-	430,677	573,145
Highways and streets	185,134	403,459	-	-	185,134	403,459
Culture and recreation	274,090	319,482	-	-	274,090	319,482
Economic development	922	6,867	-	-	922	6,867
Water and sewer	-	-	<u>450,566</u>	<u>464,893</u>	<u>450,566</u>	<u>464,893</u>
Total expenses	<u>1,227,822</u>	<u>1,594,263</u>	<u>450,566</u>	<u>464,893</u>	<u>1,678,388</u>	<u>2,059,156</u>
Excess before transfers	685,922	(184,204)	(40,855)	(66,583)	645,067	(250,787)
Transfers in (out)	<u>(82,419)</u>	<u>(72,029)</u>	<u>82,419</u>	<u>72,029</u>	-	-
Increase in net assets	<u>\$ 603,503</u>	<u>\$ (256,233)</u>	<u>\$ 41,564</u>	<u>\$ 5,446</u>	<u>\$ 645,067</u>	<u>\$ (250,787)</u>

#### Governmental Activities

Revenue from governmental activities increased approximately \$503,000. The increase primarily consisted of capital grants received to construct the Town's community center. Expenses from governmental activities decreased \$366,441. This was due to large decreases in highways and streets and public safety.

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues

from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this type of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or it is self-financing through fees.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

This table presents the cost of each of the Town's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Town's taxpayers by each of these functions.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General government	\$ 336,999	\$ 291,310	\$ 246,378	\$ 199,664
Public safety	430,677	573,145	334,337	427,120
Highway and streets	185,134	403,459	185,134	403,459
Health and recreation	<u>274,090</u>	<u>319,482</u>	<u>31,110</u>	<u>101,777</u>
Total	<u>\$ 1,226,900</u>	<u>\$ 1,587,396</u>	<u>\$ 796,959</u>	<u>\$ 1,132,020</u>

#### **Business-type Activities**

The total revenues of the Town's business-type activities (see table 2) increased by \$11,401 (2.8%) and total expenses decreased by \$14,320 (3.2%) from prior year. This resulted in a loss before transfers of \$40,855 in the current year as compared to last year's loss of \$66,583. However, net assets of the Town's business-type activities increased approximately \$36,118 (86.9%) from the prior year. The factors driving these results include:

- A portion of the increase in operating revenues from the prior year is because of the increase in the Town's population (customer base).
- Expense decreased in part because of the cost of electricity decreasing from \$203,904 last year to \$58,908 in fiscal year ended 2005. This decrease is mainly because the prior year amount reflected large amounts of rain water drainage filtering through the Town's sewer plant causing increased electricity usage. Rainfall was much less in 2005.

## THE TOWN'S FUNDS

### Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the Town completed the year, its governmental funds reported a combined fund balance of \$1,778,979, which is slightly higher than last year's total of \$1,710,691, an increase of \$68,288.

### Proprietary fund

The Town's proprietary fund statements provided the same type of information found in the government-wide financial statements, but in more detail. Analysis of the proprietary fund consists of the same information provided in the business-type activities section commented on above.

## BUDGETARY HIGHLIGHTS

**The General Fund** - The General Fund budget did not need to be amended. The budgeted amounts fell within the required percentages of the actual revenues and expenditures.

## CAPITAL ASSETS

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of July 31, 2005 was \$1,611,294 and \$3,526,384, respectively. The following table provides a summary of capital asset activity.

### Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Buildings	\$ 19,383	\$ 21,805	\$ -	\$ -	\$ 19,383	\$ 21,805
Utility system	-	-	3,511,973	3,713,233	3,511,973	3,713,233
Land	903,777	903,777	9,604	9,604	913,381	913,381
Furniture and equipment	140,749	108,988	4,807	4,929	145,556	113,917
Vehicles	102,661	107,355	-	-	102,661	107,355
Construction in progress	<u>444,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,724</u>	<u>-</u>
Totals	<u>\$ 1,611,294</u>	<u>\$ 1,141,925</u>	<u>\$ 3,526,384</u>	<u>\$ 3,727,766</u>	<u>\$ 5,137,678</u>	<u>\$ 4,869,691</u>

Major capital asset additions:

- Item 1 - The construction of the community center.
- Item 2 - The purchase of a new police vehicle.
- Item 3 - The purchase of fire and police equipment.

Additional detail is provided by the financial statements and notes (Note 4).

#### LONG-TERM DEBT

At the end of the fiscal year, the Town had total bonded debt outstanding of \$1,904,828, a decrease of \$220,849 from last year as follows:

#### Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Certificate of indebtedness	\$ 64,000	\$ 78,000	\$ 265,000	\$ 300,000	\$ 329,000	\$ 378,000
General obligation bonds	285,000	310,000	-	-	285,000	310,000
Revenue bonds	-	-	1,275,000	1,395,000	1,275,000	1,395,000
Capital lease obligations	<u>15,828</u>	<u>42,677</u>	<u>-</u>	<u>-</u>	<u>15,828</u>	<u>42,677</u>
Totals	<u>\$ 364,828</u>	<u>\$ 430,677</u>	<u>\$ 1,540,000</u>	<u>\$ 1,695,000</u>	<u>\$ 1,904,828</u>	<u>\$ 2,125,677</u>

Additional detail is provided by the financial statements and notes (Note 5).

#### ECONOMIC FACTORS AFFECTING THE TOWN

Since the primary revenue stream for the Town is sales taxes, the Town's sales tax revenues are subject to changes in the economy. Since sales are considered an "elastic" revenue stream, tax collections are higher in a flourishing economy and are lower in a depressed economy. During the fiscal year ending July 31, 2005, we experienced a good year of sales tax revenue. For the end of fiscal year 2006, the Town is not expecting much change in sales tax. Although we were tried with two hurricanes in our state, the first hurricane brought persons from the east of us which gave us an increase in population and sales tax, but the second hurricane, which was only approximately 30 days later, drove citizens and others from our area to other parts of the state and tri-state area. The Town should not have much of a difference in sales tax revenue in spite of and because of the two hurricanes.

#### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Town's Clerk, Cynthia Mallett, P.O. Drawer AK, Lake Arthur, LA 70549.

Cynthia Mallett  
Town Clerk  
Town of Lake Arthur

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF NET ASSETS

July 31, 2005

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 386,306	\$ 47,951	\$ 434,257
Investments	1,317,740	262,855	1,580,595
Receivables	122,458	40,189	162,647
Due from other funds	245,274	541,191	786,465
Restricted cash	-	298,560	298,560
Capital assets:			
Land	903,777	9,604	913,381
Construction in progress	444,724	-	444,724
Capital assets, net of accumulated depreciation	<u>262,793</u>	<u>3,516,780</u>	<u>3,779,573</u>
Total assets	<u>3,683,072</u>	<u>4,717,130</u>	<u>8,400,202</u>
<b>LIABILITIES</b>			
Accounts and other accrued payables	160,711	23,273	183,984
Customer meter deposits	-	45,863	45,863
Due to other funds	132,088	654,377	786,465
Long-term liabilities:			
Due within one year	53,512	165,000	218,512
Due after one year	<u>311,316</u>	<u>1,375,000</u>	<u>1,686,316</u>
Total liabilities	<u>657,627</u>	<u>2,263,513</u>	<u>2,921,140</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,246,466	1,986,384	3,232,850
Restricted for:			
Debt service	371,209	-	371,209
Streets and drainage	516,003	-	516,003
Unrestricted	<u>891,767</u>	<u>467,233</u>	<u>1,359,000</u>
Total net assets	<u>\$ 3,025,445</u>	<u>\$ 2,453,617</u>	<u>\$ 5,479,062</u>

See accompanying notes to financial statements



TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF ACTIVITIES  
Year Ended July 31, 2005

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 336,999	\$ 85,291	\$ -
Highways and streets	185,134	-	-
Public safety	430,677	45,716	50,624
Health and recreation	274,090	187,068	55,912
Economic development	922	-	-
Community center	-	-	-
Total governmental activities	1,227,822	318,075	106,536
Business-type activities:			
Water and sewer	450,566	370,977	-
Total activities	<u>\$ 1,678,388</u>	<u>\$ 689,052</u>	<u>\$ 106,536</u>

General revenues:

Taxes:

    Property taxes  
    Sales and use taxes  
    Franchise taxes  
Intergovernmental  
Interest and investment earnings  
Miscellaneous  
Transfers

        Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

See accompanying notes to financial statements

Net (Expense) Revenues and Changes in Net Assets			
Capital Grants	Governmental Activities	Business- Type Activities	Total
\$ 6,330	\$ (246,378)	\$ -	\$ (246,378)
-	(185,134)	-	(185,134)
-	(334,337)	-	(334,337)
-	(31,110)	-	(31,110)
-	(922)	-	(922)
<u>422,879</u>	<u>422,879</u>	<u>-</u>	<u>422,879</u>
428,209	(375,002)	-	(375,002)
-	-	(79,589)	(79,589)
<u>\$ 428,209</u>	<u>\$ (375,002)</u>	<u>\$ (79,589)</u>	<u>\$ (454,591)</u>

\$ 186,839	\$ -	\$ 186,839
544,857	-	544,857
131,659	-	131,659
26,232	-	26,232
20,346	5,520	25,866
150,991	33,214	184,205
(82,419)	82,419	-
<u>978,505</u>	<u>121,153</u>	<u>1,099,658</u>
603,503	41,564	645,067
<u>2,421,942</u>	<u>2,412,053</u>	<u>4,833,995</u>
<u>\$ 3,025,445</u>	<u>\$ 2,453,617</u>	<u>\$ 5,479,062</u>

## **FUND FINANCIAL STATEMENTS**

TOWN OF LAKE ARTHUR, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS  
July 31, 2005

	<u>General</u>	<u>Street &amp; Alley</u>
<b>ASSETS</b>		
Cash	\$ 148,493	\$ 41,200
Investments	853,535	187,831
Receivables	15,082	-
Due from other funds	<u>-</u>	<u>92,852</u>
Total assets	<u>\$ 1,017,110</u>	<u>\$ 321,883</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 38,411	\$ 10,037
Other payables and charges	4,630	-
Due to other funds	<u>82,282</u>	<u>-</u>
Total liabilities	<u>125,323</u>	<u>10,037</u>
<b>FUND BALANCES</b>		
Reserved for debt service	-	-
Unreserved, undesignated, reported in:		
General fund	891,787	-
Special revenue funds	-	311,846
Capital projects fund	<u>-</u>	<u>-</u>
Total fund balances	<u>891,787</u>	<u>311,846</u>
Total liabilities and fund balances	<u>\$ 1,017,110</u>	<u>\$ 321,883</u>

The accompanying notes are an integral part of the basic financial statements.

<u>Sales Tax</u>	<u>Community Center Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
\$ -	\$ -	\$ 196,613	\$ 386,306
-	-	276,374	1,317,740
-	107,376	-	122,458
<u>-</u>	<u>-</u>	<u>152,422</u>	<u>245,274</u>
<u>\$ -</u>	<u>\$ 107,376</u>	<u>\$ 625,409</u>	<u>\$ 2,071,778</u>
\$ -	\$ 107,376	\$ 257	\$ 156,081
-	-	-	4,630
<u>-</u>	<u>20</u>	<u>49,786</u>	<u>132,088</u>
<u>-</u>	<u>107,396</u>	<u>50,043</u>	<u>292,799</u>
-	-	371,209	371,209
-	-	-	891,787
-	-	204,157	516,003
<u>-</u>	<u>(20)</u>	<u>-</u>	<u>(20)</u>
<u>-</u>	<u>(20)</u>	<u>575,366</u>	<u>1,778,979</u>
<u>\$ -</u>	<u>\$ 107,376</u>	<u>\$ 625,409</u>	<u>\$ 2,071,778</u>

TOWN OF LAKE ARTHUR, LOUISIANA

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
July 31, 2005

Total fund balance for governmental funds at July 31, 2005	<u>\$ 1,778,979</u>
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	903,777
Construction in progress	444,724
Capital assets, net of \$609,782 accumulated depreciation	<u>262,793</u>
	<u>1,611,294</u>
Long-term liabilities at July 31, 2005:	
Bonds payable	(349,000)
Capital lease obligations	<u>(15,828)</u>
	<u>(364,828)</u>
Total net assets of governmental activities at July 31, 2005	<u>\$ 3,025,445</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended July 31, 2005

	<u>General</u>	<u>Street &amp; Alley</u>
Revenue:		
Taxes	\$ 530,997	\$ 36,730
Licenses and permits	85,291	-
Intergovernmental	138,098	-
Charges for services	151,483	-
Fines	45,716	-
Interest	14,361	1,828
Other	<u>179,691</u>	<u>6,887</u>
Total revenues	<u>1,145,637</u>	<u>45,445</u>
Expenditures:		
General and administrative	334,298	-
Highways and streets	-	146,144
Public safety	431,406	-
Health and recreation	303,492	-
Economic development	922	-
Community center	-	-
Debt service:		
Principal	14,000	26,850
Interest	<u>3,510</u>	<u>599</u>
Total expenditures	<u>1,087,628</u>	<u>173,593</u>
Excess (deficiency) of revenues over expenditures	<u>58,009</u>	<u>(128,148)</u>
Other financing sources (uses):		
Operating transfers in	-	135,125
Operating transfers out	<u>(21,825)</u>	<u>-</u>
Total other financing sources (uses)	<u>(21,825)</u>	<u>135,125</u>
Net changes in fund balance	36,184	6,977
Fund balance, beginning	<u>855,603</u>	<u>304,869</u>
Fund balance, ending	<u>\$ 891,787</u>	<u>\$ 311,846</u>

The accompanying notes are an integral part of the basic financial statements.

<u>Sales Tax</u>	<u>Community Center Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
\$ 217,943	\$ -	\$ 77,685	\$ 863,355
-	-	-	85,291
-	422,879	-	560,977
-	-	-	151,483
-	-	-	45,716
-	-	4,157	20,346
-	-	-	186,578
<u>217,943</u>	<u>422,879</u>	<u>81,842</u>	<u>1,913,746</u>
-	-	-	334,298
-	-	22,949	169,093
-	-	-	431,406
-	-	-	303,492
-	-	-	922
-	444,725	-	444,725
-	-	25,000	65,850
-	-	9,145	13,254
-	<u>444,725</u>	<u>57,094</u>	<u>1,763,040</u>
<u>217,943</u>	<u>(21,846)</u>	<u>24,748</u>	<u>150,706</u>
-	21,825	6,538	163,488
<u>(217,943)</u>	<u>-</u>	<u>(6,139)</u>	<u>(245,907)</u>
<u>(217,943)</u>	<u>21,825</u>	<u>399</u>	<u>(82,419)</u>
-	(21)	25,147	68,287
-	-	550,219	1,710,691
<u>\$ -</u>	<u>\$ (21)</u>	<u>\$ 575,366</u>	<u>\$ 1,778,978</u>



TOWN OF LAKE ARTHUR, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
STATEMENT OF ACTIVITIES  
Year Ended July 31, 2005

Total net changes in fund balances at July 31, 2005  
per statement of revenues, expenditures and changes  
in fund balances

\$ 68,287

The change in net assets reported for governmental  
activities in the statement of activities is different  
because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives and  
reported as depreciation expense.

Capital outlay which is considered expenditures on:

Statement of revenues, expenditures and changes in  
fund balances

560,952

Depreciation expense for the year ended July 31, 2005

(91,586)

469,366

Governmental funds report bonded debt repayments as  
expenditures. However, this expenditure does not appear  
in the statement of activities since the payment is  
applied against the bond payable on the statement of  
net assets

65,850

\$ 603,503

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
July 31, 2005

ASSETS	Business-Type Activities Enterprise Fund
Current assets:	
Cash and cash equivalents	\$ 47,951
Investments	262,855
Receivables	40,189
Due from other funds	<u>541,191</u>
Total current assets	892,186
Restricted cash and cash equivalents	298,560
Fixed assets, net of accumulated depreciation	<u>3,526,384</u>
Total assets	<u>\$ 4,717,130</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 10,735
Accrued interest payable	12,538
Due to other funds	654,377
Customer meter deposits	<u>45,863</u>
Total current liabilities	<u>723,513</u>
Noncurrent liabilities:	
Due within one year	165,000
Due after one year	<u>1,375,000</u>
Total noncurrent liabilities	<u>1,540,000</u>
Total liabilities	<u>2,263,513</u>
NET ASSETS	
Invested capital assets	1,986,384
Unrestricted	<u>467,233</u>
Total net assets	<u>\$ 2,453,617</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
 PROPRIETARY FUND

Year Ended July 31, 2005

	Business-Type Activities Enterprise Fund
Operating revenues:	
Charges for services	\$ <u>370,977</u>
Operating expenses:	
Personal services	77,486
Other services and charges	33,386
Materials and supplies	22,154
Heat, light and power	58,908
Depreciation	<u>203,510</u>
Total operating expenses	<u>395,444</u>
Operating (loss)	<u>(24,467)</u>
Nonoperating revenues (expenses):	
Interest income	5,520
Interest fiscal charges	(55,122)
Miscellaneous	<u>33,214</u>
Total nonoperating revenues (expenses)	<u>(16,388)</u>
(Loss) before operating transfers	(40,855)
Operating transfers in	<u>82,419</u>
Change in net assets	41,564
Net assets, beginning of year	<u>2,412,053</u>
Net assets, end of year	<u>\$ 2,453,617</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
Year Ended July 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 367,588
Cash payments to suppliers for goods and services	(118,163)
Cash payments to employees for services	<u>(77,486)</u>
Net cash provided by operating activities	<u>171,939</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfers in	82,419
Miscellaneous	33,214
Increase in customer deposits	4,210
Advances from (to) other funds	<u>(44,514)</u>
Net cash provided by noncapital financing activities	<u>75,329</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	(155,000)
Interest paid on bonds	<u>(56,302)</u>
Net cash (used in) capital and related activities	<u>(211,302)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	5,520
Purchase of property and equipment	(2,128)
(Increase) in investments	<u>(43,891)</u>
Net cash (used in) investing activities	<u>(40,499)</u>

Net (decrease) in cash and cash equivalents (4,533)

Cash and cash equivalents:

Beginning of year	<u>351,044</u>
End of year	<u><u>\$ 346,511</u></u>

RECONCILIATION OF OPERATING (LOSS) TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

Operating (loss)	\$ (24,467)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	203,510
Changes in assets and liabilities:	
(Increase) in receivables	(3,389)
(Decrease) in payables	<u>(3,715)</u>
Net cash provided by operating activities	<u><u>\$ 171,939</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA  
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended July 31, 2005

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Taxes	\$ 461,000	\$ 461,000	\$ 530,997	\$ 69,997
Licenses and permits	83,300	83,300	85,291	1,991
Intergovernmental	168,200	168,200	138,098	(30,102)
Charges for services	215,300	215,300	151,483	(63,817)
Fines	35,000	35,000	45,716	10,716
Interest	52,900	52,900	14,361	(38,539)
Other	6,500	6,500	179,691	173,191
Total revenues	<u>1,022,200</u>	<u>1,022,200</u>	<u>1,145,637</u>	<u>123,437</u>
EXPENDITURES				
Current:				
General and administrative	370,633	370,633	334,298	36,335
Public safety	592,392	592,392	431,406	160,986
Health and recreation	167,570	167,570	303,492	(135,922)
Economic development	7,000	7,000	922	6,078
Debt service:				
Principal	-	-	14,000	(14,000)
Interest	-	-	3,510	(3,510)
Total expenditures	<u>1,137,595</u>	<u>1,137,595</u>	<u>1,087,628</u>	<u>49,967</u>
Excess (deficiency) of revenues over expenditures	(115,395)	(115,395)	58,009	173,404
Fund balance, beginning of year	<u>855,602</u>	<u>855,602</u>	<u>855,603</u>	-
Fund balance, end of year	<u>\$ 740,207</u>	<u>\$ 740,207</u>	<u>\$ 913,612</u>	<u>\$ 173,404</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA  
STREET AND ALLEY FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended July 31, 2005

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Taxes	\$ 36,000	\$ 36,000	\$ 36,730	\$ 730
Interest	2,500	2,500	1,828	(672)
Other	<u>5,000</u>	<u>5,000</u>	<u>6,887</u>	<u>1,887</u>
Total revenues	<u>43,500</u>	<u>43,500</u>	<u>45,445</u>	<u>1,945</u>
EXPENDITURES				
Current:				
Highways and streets	478,050	478,050	146,144	331,906
Debt service:				
Principal	-	-	26,850	(26,850)
Interest	<u>-</u>	<u>-</u>	<u>599</u>	<u>(599)</u>
Total expenditures	<u>478,050</u>	<u>478,050</u>	<u>173,593</u>	<u>304,457</u>
Excess (deficiency) of revenues over expenditures	<u>(434,550)</u>	<u>(434,550)</u>	<u>(128,148)</u>	<u>306,402</u>
OTHER FINANCING SOURCES (USES)				
Appropriation of prior year fund balance	524,056	524,056	-	(524,056)
Operating transfers in	<u>126,000</u>	<u>126,000</u>	<u>135,125</u>	<u>9,125</u>
Total other financing sources (uses)	<u>650,056</u>	<u>650,056</u>	<u>135,125</u>	<u>(514,931)</u>
Excess (deficiency) of revenue and other sources over expenditures	215,506	215,506	6,977	(208,529)
Fund balance, beginning of year	<u>304,869</u>	<u>304,869</u>	<u>304,869</u>	<u>-</u>
Fund balance, end of year	<u>\$ 520,375</u>	<u>\$ 520,375</u>	<u>\$ 311,846</u>	<u>\$ (208,529)</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA  
SALES TAX FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended July 31, 2005

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales taxes	\$ 217,943	\$ 217,943	\$ 217,943	\$ -
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	217,943	217,943	217,943	-
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	<u>(217,943)</u>	<u>(217,943)</u>	<u>(217,943)</u>	<u>-</u>
Excess (deficiency) of revenue and other uses over expenditures	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

July 31, 2005

1) Summary of Significant Accounting Policies

The Town of Lake Arthur, Louisiana was incorporated in 1904, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Lake Arthur, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The Town of Lake Arthur has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Town Council of the Town of Lake Arthur, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable.



Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the Town of Lake Arthur has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Town of Lake Arthur.

## B. Basis of Presentation

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government.

The Statement of Net Assets and the Statement of Activities report financial information for the Town as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

### FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

## GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds - Capital Project Funds are used to account for funds received and expenditures made in connection with large capital projects.

## PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

### C. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary funds, also in the fund financial statements, is accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet. The operating statements for the proprietary fund presents increases or decreases in net total assets.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### D. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 31, the Town Clerk submits to the Mayor and Council a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comment.
3. Prior to July 31, the budget is legally enacted through passage of an ordinance.

4. Any revisions that alter total expenditures of any fund must be approved by the Council. Expenditures cannot legally exceed appropriations on a fund level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. The budget and actual comparison presented on pages 13 and 14 in the accompanying financial report includes the General Fund and Special Revenue Funds. The capital budget ordinances which encompass the Capital Projects Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds. There were no capital project funds at July 31, 2005.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council.
8. All budgetary appropriations except for Capital Projects lapse at the end of each fiscal year.
9. Budgets are amended by resolution approved by the Town Council.

Encumbrance accounting is not used.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities with maturities of three months or less.

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the Town to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Town Council.

Investments are stated at cost.

F. Inventory

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

G. Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the receivable.

H. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

I. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Water and sewer lines	30 years
Machinery and equipment	3-10 years
Autos and trucks	3-5 years

2) Cash, Cash Equivalents and Investments

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement which is approved by the Town Council, the Town of Iowa maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district.

The Town's bank demand and time deposits at year end of \$2,323,301 (bank balances) were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the Town's name.

Interest rate risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices. As of December 31, 2005, the Town's investment in LAMP was rated AAA by Standard & Poor's.

Concentration of credit risk. The Town places no limit on the amount the Town may invest in any one issuer. All of the Town's investments are in certificates of deposit and insured money market accounts.

3) Ad Valorem Taxes

The Town levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Jeff Davis Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

For the year ended July 31, 2005 taxes of 28.03 mills were levied on property with assessed valuations totaling \$6,693,910 and were dedicated as follows:

General corporate purposes	8.03 mills
Drainage maintenance	5.51 mills
Street and alley maintenance	5.51 mills
Debt service	6.14 mills
Recreation	2.84 mills

The Town property taxes are levied on November 1 and are due December 31, and are delinquent by January 1st. Delinquent property taxes attach as enforceable liens on property as of April 30.

#### 4) Changes in Capital Assets

Capital asset activity for the year ended July 31, 2005, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 903,777	\$ -	\$ -	\$ 903,777
Construction in progress	-	444,724	-	444,724
Total capital assets not being depreciated	<u>903,777</u>	<u>444,724</u>	<u>-</u>	<u>1,348,501</u>
Capital assets being depreciated:				
Buildings	125,228	-	-	125,228
Furniture and equipment	233,407	96,351	-	329,758
Vehicles	<u>397,709</u>	<u>19,878</u>	<u>-</u>	<u>417,587</u>
Total capital assets being depreciated	<u>756,344</u>	<u>116,229</u>	<u>-</u>	<u>872,573</u>
Less accumulated depreciation for:				
Buildings	103,423	2,422	-	105,845
Furniture and equipment	124,419	64,590	-	189,009
Vehicles	<u>290,354</u>	<u>24,572</u>	<u>-</u>	<u>314,926</u>
Total accumulated depreciation	<u>518,196</u>	<u>91,584</u>	<u>-</u>	<u>609,780</u>
Government activities capital assets, net	<u>\$ 1,141,925</u>	<u>\$ 469,369</u>	<u>\$ -</u>	<u>\$ 1,611,294</u>

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,604	\$ -	\$ -	\$ 9,604
Capital assets being depreciated:				
Sewer system	4,913,829	-	-	4,913,829
Water system	1,271,705	-	-	1,271,705
Vehicles	23,962	-	-	23,962
Furniture and equipment	<u>99,048</u>	<u>2,128</u>	-	<u>101,176</u>
Total capital assets being depreciated	<u>6,308,544</u>	<u>2,128</u>	-	<u>6,310,672</u>
Less accumulated depreciation for:				
Sewer system	1,995,939	172,037	-	2,167,976
Water system	476,362	29,223	-	505,585
Vehicles	23,962	-	-	23,962
Furniture and equipment	<u>94,119</u>	<u>2,250</u>	-	<u>96,369</u>
Total accumulated depreciation	<u>2,590,382</u>	<u>203,510</u>	-	<u>2,793,892</u>
Business-type activities capital assets, net	<u>\$ 3,727,766</u>	<u>\$ (201,382)</u>	<u>\$ -</u>	<u>\$ 3,526,384</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 2,701
Public safety	53,752
Highway and streets	22,861
Health and recreation	<u>12,272</u>
Total depreciation	<u>\$ 91,586</u>

#### 5) Long-Term Debt

Long-term debt is comprised of the following at July 31, 2005:

General obligation bonds:

\$550,000 General Obligation Bonds, Series 1995, interest at 2.45%, administrative fee .5%, principal and interest payable through the year 2015	\$ 285,000
\$105,000 Certificate of indebtedness, Series 2005, 4.50% interest payable through the year 2009	<u>64,000</u>
	<u>\$ 349,000</u>



Revenue bonds payable:

\$2,500,000 Sewer revenue bonds payable, interest at 2.45%, administrative fee .5%, principal and interest payable through the year 2014	\$ 1,275,000
\$400,000 Certificate of indebtedness, Series 2001, interest payable ranging from 4.6% to 5.25%, principal and interest payable through the year 2011	<u>265,000</u>
	<u>\$ 1,540,000</u>

Capital leases payable:

\$39,000 Capital lease payable on equipment, interest at 4.75%, principal and interest payable through November, 2006	<u>\$ 15,827</u>
---	------------------

Street department equipment recorded under capital lease consist of one Case tractor and 4 in 1 bucket costing \$39,300. Accumulated amortization at July 31, 2005 amounted to \$26,200.

Long-term liability activity for the year ended July 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation	\$ 310,000	\$ -	\$ 25,000	\$ 285,000	\$ 25,000
Certificate of indebtedness	78,000	-	14,000	64,000	15,000
Capital leases	<u>42,677</u>	<u>-</u>	<u>26,849</u>	<u>15,828</u>	<u>13,512</u>
Total governmental	<u>\$ 430,677</u>	<u>\$ -</u>	<u>\$ 65,849</u>	<u>\$ 364,828</u>	<u>\$ 53,512</u>
Business-type activities:					
Revenue bonds	\$ 1,395,000	\$ -	\$ 120,000	\$ 1,275,000	\$ 125,000
Certificate of indebtedness	<u>300,000</u>	<u>-</u>	<u>35,000</u>	<u>265,000</u>	<u>40,000</u>
Total business-type activities	<u>\$ 1,695,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>	<u>\$ 1,540,000</u>	<u>\$ 165,000</u>

Debt service requirements at July 31, 2005 were as follows:

Governmental activities:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 53,512	\$ 11,748
2007	43,316	9,888
2008	41,000	8,418
2009	42,000	6,960
2010	30,000	5,458
2011-2014	120,000	12,981
2015	<u>35,000</u>	<u>1,033</u>
	<u>\$ 364,828</u>	<u>\$ 56,486</u>

Business-type activities:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 165,000	\$ 51,085
2007	170,000	45,438
2008	180,000	39,623
2009	180,000	33,367
2010	185,000	27,090
2011-2014	<u>660,000</u>	<u>48,350</u>
	<u>\$ 1,540,000</u>	<u>\$ 244,953</u>

Interest charged to expense during the year ended July 31, 2005 totaled \$64,267, of which \$9,145 was for governmental activities and \$55,122 was for business-type activities.

6) Interfund Transactions

Individual fund interfund receivable and payable balances which are not expected to be repaid within a year at July 31, 2005 were:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ -	\$ 82,282
Street and alley maintenance	92,852	-
Non-major governmental	152,422	49,786
Utilities system fund	541,191	654,377
Community center fund	<u>-</u>	<u>20</u>
	<u>\$ 786,465</u>	<u>\$ 786,465</u>

Operating transfers for the year ended July 31, 2005 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 21,825
Street and alley	135,125	-
Sales tax	-	217,943
Community Center	21,825	-
Non-major governmental	6,538	6,139
Utility system	<u>82,419</u>	<u>-</u>
	<u>\$ 245,907</u>	<u>\$ 245,907</u>

7) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at July 31:

	<u>2005</u>	<u>2004</u>
Customers deposits	\$ 45,863	\$ 41,653
Sewer	<u>252,697</u>	<u>246,666</u>
	<u>\$ 298,560</u>	<u>\$ 288,319</u>

8) Dedication of Proceeds and Flow of Funds - 2 ½% Sales and Use Tax

Proceeds of a 2 ½% sales and use tax levied by the Town of Lake Arthur, Louisiana (2005 collections \$544,857, 2004 collections \$504,622) are dedicated to the following purposes:

General Fund	60%
Streets	24.8%
Water	14%
Sidewalks	.8%
Drainage	.4%

9) Pension Plan

Municipal Employees' Retirement System:

Plan description:

The Town of Lake Arthur contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employee's Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana

to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The Town of Lake Arthur is a member of plan "B" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended June 30, 2004.

#### Funding policy:

Plan members are required to contribute 5.00% of their annual covered salary and the Town of Lake Arthur is required to contribute at a statutorily determined rate. The current rate is 9.50% of annual covered payroll. The contribution requirements of plan members and the Town of Lake Arthur are established and may be amended by the Board of Trustees. The Town of Lake Arthur's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending July 31, 2005, 2004, and 2003 were \$20,799, \$12,904, and \$11,858, respectively, equal to the required contributions for each year.

#### 10) Litigation

The Town is involved in several lawsuits. The Town Attorney estimates that the potential claims against the Town that are not covered by insurance resulting from such litigation would not materially affect the financial statements of the Town.

#### 11) Accumulated Unpaid Compensated Absences

The Town's policy on annual leave is that if the time is not taken during the year earned it will be forfeited; that is, no carry over of time or compensation in lieu of time off will be allowed.

The Town's policy on sick leave is 10 days per year. Unused sick leave can be accumulated up to 30 days to be used for prolonged illness, but the Town will not pay for unused sick leave.

## 12) Landfill Joint Venture

The Town is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plan for the disposal of solid wastes in Jefferson Davis Parish. According to the charter, each participant in the Commission is responsible for a pro rata share of any operating deficits. Likewise, any distributions of surpluses are also shared on a pro rata basis. Each participant's pro rata share is based on the number of households within each participant's unit to the total number of households within all participating units. These proportions were determined using the 1980 U.S. Census as follows:

<u>Locality</u>	<u>Number of Households</u>	<u>Percentages</u>
Jennings	4,161	.421196
Welsh	1,167	.118129
Lake Arthur	1,212	.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	<u>3,339</u>	<u>.337991</u>
Totals	<u>9,879</u>	<u>1.000000</u>

The Commission consists of six commissioners as follows: two residents of Jennings, one resident of Welsh, one resident of Lake Arthur, and two residents of Jefferson Davis Parish living outside the city limits of Jennings, Welsh, Lake Arthur and Elton. The Commission members are to be appointed by the governing body of their place of residence.

The Commission has the power and authority to employ personnel, adopt its own budget and enter into agreements necessary for the operation of the Landfill. In certain instances, some agreements must be consented to by all six members of the Commission.

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2004 (the latest available audited financial statements which is available in a separately issued financial report) were as follows:

	<u>Total</u>	<u>Lake Arthur (12.2684%)</u>
Total assets	\$ 6,562,799	\$ 805,150
Total liabilities	82,484	10,119
Total net assets	6,480,315	795,031
 Total revenues	 902,558	 110,729
Total expenditures	870,947	106,851
(Increase) in net assets	31,611	3,878

As of December 31, 2004, the Commission had no long-term debt outstanding.

The Landfill Commission as owner of a sanitary landfill is subject to recent Environmental Protection Agency (EPA) regulations that require monitoring the landfill site for 30 years following closure of the site in addition to other closure requirements. These regulations also mandate that landfill owners provide financial assurances that they will have the resources available to satisfy the post closure standards. These guarantees can be third-party trusts, surety bonds, letters of credit, insurance, or state sponsored plans. According to the Commission's contract with the site operator, "...the contractor shall be responsible for closure in accordance with the permit..". Additionally, "...the contractor's post closure care, maintenance and monitoring responsibility shall be three (3) years, or as required by law...". In the event the operator is for whatever reason unwilling or unable to fulfill this requirement, the responsibility for closure and post closure monitoring will revert back to the Commission.

Additionally, because of the industry the Commission participates in, certain potential liabilities are always present. These include, but are not limited to, environmental cleanup costs and EPA penalties for violation of its regulations. The EPA is empowered by law (through the Superfund legislation) to seek recovery from anyone who ever owned or operated a particular contaminated site, or anyone who ever generated or transported hazardous materials to a site (these parties are commonly referred to as potentially responsible parties, or PRPs). Potentially, the liability can extend to subsequent owners or to the parent company of a PRP. While there are no asserted or unasserted potential costs or penalties at the date of this report that the Commission is aware of, the potential is present.

During the year ended December 31, 2004, the Commission voted to make a distribution to the four local government bodies that participate in the Landfill Commission and funded its construction and early operations. The distributions were made in the same proportions as the original investments by the governments. For the Town of Lake Arthur, the distribution amounted to \$87,782 which is recorded as "landfill revenues" in the General Fund in the fiscal year ended July 31, 2005.

13) Amounts Paid Members of Governing Board

Mr. E. R. Giles	\$ 8,400
Ms. Dorothy Charles	3,050
Mr. Kirk Conner	3,000
Mr. Ellsworth Duhon	2,500
Mr. David Hanks	3,150
Mrs. Cynthia T. LaPoint	600
Mr. Mark LaPoint	<u>2,450</u>
	<u>\$ 23,150</u>

14) Subsequent Event

On September 23, 2005, Hurricane Rita struck Southwest Louisiana causing widespread property damage. The Town of Lake Arthur and its assets are in this region. The building housing City Hall and the Police Department sustained considerable damage and, at the time of issuance of this report, is unusable.

**OTHER SUPPLEMENTAL INFORMATION**



TOWN OF LAKE ARTHUR, LOUISIANA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
July 31, 2005

	<u>Special Revenue</u>	
	<u>Drainage Maintenance</u>	<u>Sidewalk Maintenance</u>
ASSETS		
Cash and cash equivalents	\$ 64,004	\$ 51,700
Investments	-	-
Due from other funds	<u>109,840</u>	<u>-</u>
Total assets	<u>\$ 173,844</u>	<u>\$ 51,700</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 257	\$ -
Due to other funds	<u>20,468</u>	<u>662</u>
Total liabilities	<u>20,725</u>	<u>662</u>
FUND BALANCE		
Reserve for debt service	-	-
Unreserved - undesignated	<u>153,119</u>	<u>51,038</u>
Total fund balance	<u>153,119</u>	<u>51,038</u>
Total liabilities and fund balance	<u>\$ 173,844</u>	<u>\$ 51,700</u>

<u>Debt Service Funds</u>			
<u>Sewerage</u> <u>District</u> <u>No. 1</u>	<u>Combined</u> <u>Bond</u> <u>Fund</u>	<u>Public</u> <u>Improvement</u> <u>Bond</u>	<u>Total</u>
\$ -	\$ 80,909	\$ -	\$ 196,613
24,488	174,390	77,496	276,374
<u>7,201</u>	<u>16,596</u>	<u>18,785</u>	<u>152,422</u>
<u>\$ 31,689</u>	<u>\$ 271,895</u>	<u>\$ 96,281</u>	<u>\$ 625,409</u>

\$ -	\$ -	\$ -	\$ 257
<u>-</u>	<u>28,656</u>	<u>-</u>	<u>49,786</u>
<u>-</u>	<u>28,656</u>	<u>-</u>	<u>50,043</u>

31,689	243,239	96,281	371,209
<u>-</u>	<u>-</u>	<u>-</u>	<u>204,157</u>
<u>31,689</u>	<u>243,239</u>	<u>96,281</u>	<u>575,366</u>
<u>\$ 31,689</u>	<u>\$ 271,895</u>	<u>\$ 96,281</u>	<u>\$ 625,409</u>

TOWN OF LAKE ARTHUR, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
Year Ended July 31, 2005

	<u>Special Revenue</u>	
	<u>Drainage Maintenance</u>	<u>Sidewalk Maintenance</u>
Revenues:		
Taxes	\$ 36,730	\$ -
Interest	<u>-</u>	<u>-</u>
Total revenues	<u>36,730</u>	<u>-</u>
Expenditures:		
Highways and streets	22,925	24
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>
Total expenditures	<u>22,925</u>	<u>24</u>
Excess (deficiency) of revenues over expenditures	<u>13,805</u>	<u>(24)</u>
Other financing sources (uses):		
Operating transfers in	2,179	4,359
Operating transfers out	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>2,179</u>	<u>4,359</u>
Excess (deficiency) of revenues and other sources over expenditures	15,984	4,335
Fund balance, beginning of year	<u>137,135</u>	<u>46,703</u>
Fund balance, end of year	<u>\$ 153,119</u>	<u>\$ 51,038</u>

<u>Debt Service Funds</u>			
<u>Sewerage District No. 1</u>	<u>Combined Bond Fund</u>	<u>Public Improvement Bond</u>	<u>Total</u>
\$ -	\$ 40,955	\$ -	\$ 77,685
-	3,499	658	4,157
-	44,454	658	81,842
-	-	-	22,949
-	25,000	-	25,000
-	9,145	-	9,145
-	34,145	-	57,094
-	10,309	658	24,748
-	-	-	6,538
(6,139)	-	-	(6,139)
(6,139)	-	-	399
(6,139)	10,309	658	25,147
37,828	232,930	95,623	550,219
<u>\$ 31,689</u>	<u>\$ 243,239</u>	<u>\$ 96,281</u>	<u>\$ 575,366</u>

TOWN OF LAKE ARTHUR, LOUISIANA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended July 31, 2005

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development: Louisiana Community Development Block Grant Program	14.219		\$ 422,879
Department of Interior: Recreation Resource Management	15.225		42,115
Homeland Security: Assistance to Firefighters Grant	97.044		31,464
Local Law Enforcement: Block Grants Program	16.592		<u>5,641</u>
			<u>\$ 502,099</u>

REPORT OF INDEPENDENT AUDITORS ON  
INTERNAL CONTROL STRUCTURE  
AND COMPLIANCE

# McELROY, QUIRK & BURCH

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800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070  
337 433-1063 • Fax 337 436-6618 • Web page: [www.mqb-cpa.com](http://www.mqb-cpa.com)

Carl W. Comeaux, CPA  
Gus W. Schram, III, CPA, CVA  
Martin L. Chehotsky, CPA, CFE  
Robert M. Gani, CPA, MT  
Mollie C. Broussard, CPA  
Jason L. Guillory, CPA  
Greg P. Naquin, CPA, CFP™  
Billy D. Fisher, CPA  
Joe G. Peshoff, II, CPA, CVA



Charles P. Quirk, CPA, Inactive  
Otray J. Woods, Jr., CPA, Inactive  
Robert F. Cargile, CPA, Inactive  
William A. Mancuso, CPA, Retired  
Barbara Hutson Gonzales, CPA, Retired  
Judson J. McCann, Jr., CPA, Retired

CFE - Certified Fraud Examiner  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

## REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen  
Town of Lake Arthur  
Lake Arthur, Louisiana

We have audited the financial statements of the Town of Lake Arthur, Louisiana as of and for the year ended July 31, 2005, and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Town of Lake Arthur's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Lake Arthur, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Lake Arthur's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying schedule of questioned costs as item 05-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we consider item 05-1 to be a material weakness.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Burch*

Lake Charles, Louisiana  
September 21, 2005



# McELROY, QUIRK & BURCH

(In Affiliation with - Gus Schram & Co., LTD)

*A Professional Corporation • Certified Public Accountants • Since 1925*  
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070  
337 433-1063 • Fax 337 436-6618 • Web page: [www.mqb-cpa.com](http://www.mqb-cpa.com)

Carl W. Comeaux, CPA  
Gus W. Schram, III, CPA, CVA  
Martin L. Chehotsky, CPA, CFE  
Robert M. Gani, CPA, MT  
Mollie C. Broussard, CPA  
Jason L. Guillory, CPA  
Greg P. Naquin, CPA, CFP™  
Billy D. Fisher, CPA  
Joe G. Peshoff, II, CPA, CVA



Charles P. Quirk, CPA, Inactive  
Otray J. Woods, Jr., CPA, Inactive  
Robert F. Cargile, CPA, Inactive  
William A. Mancuso, CPA, Retired  
Barbara Hutson Gonzales, CPA, Retired  
Judson J. McCann, Jr., CPA, Retired

CFF - Certified Fraud Examiner  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor  
and Board of Aldermen  
Town of Lake Arthur  
Lake Arthur, Louisiana

### Compliance

We have audited the compliance of the Town of Lake Arthur, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended July 31, 2005. The Town of Lake Arthur's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Lake Arthur's management. Our responsibility is to express an opinion on the Town of Lake Arthur's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Lake Arthur's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Lake Arthur's compliance with those requirements.

In our opinion, the Town of Lake Arthur, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended July 31, 2005.

#### Internal Control Over Compliance

The management of the Town of Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Lake Arthur's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Council, management, and other state and federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Burch*

Lake Charles, Louisiana  
September 21, 2005

TOWN OF LAKE ARTHUR, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended July 31, 2005

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Reportable condition identified not considered to be material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:		
Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable condition identified not considered to be material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Department of Housing and Urban Development, Louisiana Community Development Block Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

(continued on next page)

TOWN OF LAKE ARTHUR, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended July 31, 2005  
(Continued)

05-1      **Segregation of Duties**

Condition:            Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria:             Effective internal control requires adequate segregation of duties among client personnel.

Effect:                Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation:    To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response:            We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

TOWN OF LAKE ARTHUR, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
Year Ended July 31, 2005

**04-1 Segregation of Duties**

Condition:	This finding was a reportable condition relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.
Recommendation:	To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.
Current status:	This condition still exists, however, the Town has implemented supervision and review procedures as recommended.